

# **Lenawee County Medical Care Facility**

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**Financial Report  
with Additional Information  
December 31, 2003**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Lenawee County Medical Care Facility</u>	County Lenawee
Audit Date December 31, 2003	Opinion Date February 12, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 67 West Michigan Avenue	City Battle Creek	State MI	ZIP 49017
Accountant Signature 			

# Lenawee County Medical Care Facility

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**Independent Auditor's Report**

To the Lenawee County Family Independence Agency Board  
Lenawee County Medical Care Facility

We have audited the balance sheet of Lenawee County Medical Care Facility (a component unit of Lenawee County, Michigan), as of December 31, 2003 and 2002, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lenawee County Medical Care Facility at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

February 12, 2004

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# Lenawee County Medical Care Facility

## Balance Sheet

		December 31	
		2003	2002
<b>Assets</b>			
<b>Current Assets</b>			
Cash (Note 2)	\$	1,012,946	\$ 700,052
Accounts receivable (Note 3)		721,579	540,719
Prepays and other current assets		<u>117,583</u>	<u>65,914</u>
Total current assets		1,852,108	1,306,685
<b>Cash Limited as to Use</b> (Note 2)		304,647	1,581,665
<b>Property and Equipment</b> (Note 4)		<u>5,990,029</u>	<u>4,808,106</u>
Total assets	<b>\$</b>	<b><u>8,146,784</u></b>	<b><u>7,696,456</u></b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt (Note 5)	\$	127,866	\$ 75,000
Accounts payable		106,595	196,101
Construction payable		126,460	462,129
Accrued salaries and related taxes		58,283	206,224
Accrued compensated absences		293,913	263,207
Other liabilities		133,385	97,706
Patient trust liabilities (Note 6)		5,567	4,701
Deferred revenue		<u>74,881</u>	<u>115,830</u>
Total current liabilities		926,950	1,420,898
<b>Long-term Debt</b> (Note 5)		<u>1,279,221</u>	<u>925,000</u>
Total liabilities		2,206,171	2,345,898
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		4,582,942	4,399,771
Restricted for capital purposes		-	537,129
Unrestricted		<u>1,357,671</u>	<u>413,658</u>
Total net assets		<u>5,940,613</u>	<u>5,350,558</u>
Total liabilities and net assets	<b>\$</b>	<b><u>8,146,784</u></b>	<b><u>7,696,456</u></b>

# Lenawee County Medical Care Facility

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2003	2002
<b>Operating Revenue</b>		
Net patient revenue	\$ 8,002,801	\$ 7,434,402
Proportionate share reimbursement program	191,385	362,593
Other operating revenue	<u>68,795</u>	<u>99,441</u>
Total operating revenue	8,262,981	7,896,436
<b>Operating Expenses</b>		
Salaries	4,396,182	4,356,562
Other expenses	<u>3,677,106</u>	<u>3,138,888</u>
Total operating expenses	<u>8,073,288</u>	<u>7,495,450</u>
<b>Operating Income</b>	189,693	400,986
<b>Nonoperating Income and Expense</b>		
Interest income	8,489	44,356
Interest expense	(58,127)	-
Transfer from other County funds (Note 8)	<u>450,000</u>	<u>-</u>
Total nonoperating income	<u>400,362</u>	<u>44,356</u>
<b>Increase in Net Assets</b>	590,055	445,342
<b>Net Assets - Beginning of year</b>	<u>5,350,558</u>	<u>4,905,216</u>
<b>Net Assets - End of year</b>	<u><b>\$ 5,940,613</b></u>	<u><b>\$ 5,350,558</b></u>

# Lenawee County Medical Care Facility

## Statement of Cash Flows

	Year Ended December 31	
	2003	2002
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payors	\$ 7,821,941	\$ 7,612,667
Cash received from proportionate share program	150,436	182,485
Other operating receipts	68,795	99,441
Cash paid to employees and suppliers	<u>(8,283,367)</u>	<u>(7,241,653)</u>
Net cash provided by (used in) operating activities	(242,195)	652,940
<b>Cash Flows from Noncapital Financing Activities</b>		
Patient trust deposits	866	(2,182)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of property and equipment	(1,530,244)	(3,202,298)
Proceeds from debt	500,000	1,000,000
Transfer from County	450,000	-
Principal payments on long term debt	(92,913)	-
Interest paid	<u>(58,127)</u>	<u>-</u>
Net cash used in capital and related financing activities	(731,284)	(2,202,298)
<b>Cash Flows from Investing Activities</b>		
Interest received	<u>8,489</u>	<u>44,356</u>
<b>Net Decrease in Cash</b>	(964,124)	(1,507,184)
<b>Cash - Beginning of year</b>	<u>2,281,717</u>	<u>3,788,901</u>
<b>Cash - End of year</b>	<u><u>\$ 1,317,593</u></u>	<u><u>\$ 2,281,717</u></u>

# Lenawee County Medical Care Facility

## Statement of Cash Flows (Continued)

	December 31	
	2003	2002
<b>Balance Sheet Classification of Cash</b>		
Current assets - Cash	\$ 1,012,946	\$ 700,052
Cash limited as to use	<u>304,647</u>	<u>1,581,665</u>
Total	<b><u>\$ 1,317,593</u></b>	<b><u>\$ 2,281,717</u></b>
	Year Ended December 31	
	2003	2002
A reconciliation of operating income to net cash from operating activities is as follows:		
Operating income	\$ 189,693	\$ 400,986
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	348,321	142,140
Provision for bad debts	319	44,795
(Increase) decrease in assets:		
Accounts receivable	(181,179)	88,675
Inventories and other assets	(51,669)	(7,504)
Increase (decrease) in liabilities:		
Accounts payable	(89,506)	67,810
Construction payable	(335,669)	
Accrued liabilities	(117,235)	96,146
Other liabilities	35,679	-
Deferred revenue	<u>(40,949)</u>	<u>(180,108)</u>
Net cash provided by (used in) operating activities	<b><u>\$ (242,195)</u></b>	<b><u>\$ 652,940</u></b>

Significant noncash items during the years ended December 31, 2003 and 2002 include recording \$126,460 and \$462,129, respectively, in new project costs, which are reflected in the construction payable.



# Lenawee County Medical Care Facility

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## Notes to Financial Statements December 31, 2003 and 2002

### Note 1 - Nature of Business and Significant Accounting Policies

Lenawee County Medical Care Facility (the "Facility") is a component unit of the County of Lenawee. The financial statements of the Facility are included in the County's general purpose financial statements.

The Facility is a 136-bed, long-term, medical care unit owned and operated by Lenawee County, providing services primarily to the residents of Lenawee County. It is governed by the Lenawee County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Lenawee County Board of Commissioners, and one appointed by the Michigan Governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

**Basis of Presentation** - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the Facility's financial activities. No component units are required to be reported in the Facility's financial statements.

**Enterprise fund accounting** - The Facility uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Cash Limited As to Use** - Cash limited as to use consists of cash designated by the Family Independence Agency Board for future capital purchases.

**Property and Equipment** - All property and equipment are valued at historical cost. Donated assets are recorded at the fair market value at the time of the donation. Depreciation on such fixed assets is charged as an expense against operations on a straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

# Lenawee County Medical Care Facility

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## Notes to Financial Statements December 31, 2003 and 2002

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Compensated Absences** - Vacation and sick pay are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

**Net Assets** - Net assets of the Facility are classified in two components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

**Net Patient Revenue** - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Approximately 84 percent of the revenue from patient services is received from the Medicare and Medicaid programs. The Facility has agreements with the Medicare and Medicaid programs to provide reimbursement to the Facility at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Facility's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

**Medicare** - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

**Medicaid** - Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a cost reimbursement methodology.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

# Lenawee County Medical Care Facility

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## Notes to Financial Statements December 31, 2003 and 2002

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Proportionate Share Reimbursement Program (PSRP)** - During the years ended December 31, 2003 and 2002, the Facility participated in the PSRP sponsored by the State of Michigan.

In 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

In 2002, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2002. The second transaction in October was for the State fiscal year ended September 30, 2003 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

**Operating Revenue and Expenses** - The Facility's statement of revenue, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services-the Facility's principal activity. Nonexchange revenues, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

# Lenawee County Medical Care Facility

## Notes to Financial Statements December 31, 2003 and 2002

### Note 2 - Deposits

The Facility's deposits are composed of the following:

	Cash	Cash Limited as to Use	Total
<u>2003</u>			
Deposits:			
County	\$ 994,373	\$ 304,647	\$ 1,299,020
Bank	<u>18,573</u>	<u>-</u>	<u>18,573</u>
Total deposits	<u>\$ 1,012,946</u>	<u>\$ 304,647</u>	<u>\$ 1,317,593</u>
<u>2002</u>			
Deposits:			
County	\$ 502,345	\$ 1,581,665	\$ 2,084,010
Bank	<u>197,707</u>	<u>-</u>	<u>197,707</u>
Total deposits	<u>\$ 700,052</u>	<u>\$ 1,581,665</u>	<u>\$ 2,281,717</u>

**Deposits - County** - These funds were under the control of the County Treasurer, who deposited them with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.

**Deposits - Bank** - The above deposits were reflected in the accounts of a bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$147,904 and \$320,898 at December 31, 2003 and 2002, respectively.

The federal depository insurance pertains to all the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits, if any, is not determinable.

**Cash Limited as to Use** - Cash limited as to use consists of funds designated by the FIA Board for future capital purchases and unexpended loan proceeds restricted for capital purchases.

# Lenawee County Medical Care Facility

## Notes to Financial Statements December 31, 2003 and 2002

### Note 3 - Accounts Receivable

The details of accounts receivable are as follows:

	<u>2003</u>	<u>2002</u>
Patient receivables	\$ 1,453,416	\$ 759,275
Less allowances for uncollectible accounts	(145,416)	(152,000)
Less Medicaid interim payment advances	<u>(586,421)</u>	<u>(66,556)</u>
Accounts receivable, net	<u>\$ 721,579</u>	<u>\$ 540,719</u>

# Lenawee County Medical Care Facility

## Notes to Financial Statements December 31, 2003 and 2002

### Note 4 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

	2002	Additions	Retirements	2003	Depreciable Life - Years
Land improvements	\$ 117,007	\$ 671,407	\$ -	\$ 788,414	5-20
Building	2,966,042	3,928,409	-	6,894,451	5-20
Equipment	1,544,666	809,269	-	2,353,935	5-20
New project costs	<u>3,878,841</u>	<u>(3,878,841)</u>	<u>-</u>	<u>-</u>	
Total	8,506,556	<u>\$1,530,244</u>	<u>\$ -</u>	10,036,800	
Less accumulated depreciation:					
Land improvements	98,819	\$ 46,982	\$ -	145,801	
Building	2,420,156	211,815	-	2,631,971	
Equipment	<u>1,179,475</u>	<u>89,524</u>	<u>-</u>	<u>1,268,999</u>	
Total	<u>3,698,450</u>	<u>\$ 348,321</u>	<u>\$ -</u>	<u>4,046,771</u>	
Net carrying amount	<u>\$4,808,106</u>			<u>\$ 5,990,029</u>	

	2001	Additions	Retirements	2002	Depreciable Life - Years
Land improvements	\$ 117,007	\$ -	\$ -	\$ 117,007	5-20
Building	2,966,042	-	-	2,966,042	5-20
Equipment	1,455,026	89,640	-	1,544,666	5-20
New project costs	<u>398,487</u>	<u>3,480,354</u>	<u>-</u>	<u>3,878,841</u>	
Total	4,936,562	<u>\$3,569,994</u>	<u>\$ -</u>	8,506,556	
Less accumulated depreciation:					
Land improvements	95,750	\$ 3,069	\$ -	98,819	
Building	2,360,660	59,496	-	2,420,156	
Equipment	<u>1,099,900</u>	<u>79,575</u>	<u>-</u>	<u>1,179,475</u>	
Total	<u>3,556,310</u>	<u>\$ 142,140</u>	<u>\$ -</u>	<u>3,698,450</u>	
Net carrying amount	<u>\$1,380,252</u>			<u>\$ 4,808,106</u>	

During 2003, Lenawee County Building Authority completed construction on a new addition to the Facility. The total cost of the project was approximately \$5.3 million. The Facility borrowed \$1.5 million from the County to assist with financing this project, and existing Facility funds were utilized to pay for the construction costs.

# Lenawee County Medical Care Facility

## Notes to Financial Statements December 31, 2003 and 2002

### Note 5 - Long-term Debt

Long-term obligation activity during the years ended December 31, 2003 and 2002 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Amount Due Within One Year
2003	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ (92,913)</u>	<u>\$ 1,407,087</u>	<u>\$ 127,866</u>
2002	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 75,000</u>

The facility borrowed a total of \$1,500,000 from Lenawee County with interest at 4%. Repayment of the loan is to be made over 10 years, beginning April 2003 with monthly payments of approximately \$15,000, including interest.

The principal and interest maturities on the debt as of December 31, 2003 are as follows:

	Debt Obligations	
	Principal	Interest
2004	\$ 127,886	\$ 53,948
2005	133,519	48,722
2006	138,959	43,282
2007	144,621	37,620
2008	150,513	31,728
2009-2013	<u>711,589</u>	<u>63,344</u>
Total	<u>\$ 1,407,087</u>	<u>\$ 278,644</u>

# Lenawee County Medical Care Facility

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## Notes to Financial Statements December 31, 2003 and 2002

### **Note 6 - Patient Trust Deposits**

The State Department of Treasury requires facilities to administer and account for monies of patients. The patient trust liability on the balance sheet represents patient trust fund deposits at December 31, 2003 and 2002.

### **Note 7 - Defined Benefit Multiple Employer Pension Plan**

#### **Plan Description**

The Facility participates in the Lenawee County Board of Commissioners Retirement Income Plan, which is a multiple-employer defined benefit pension plan that covers all employees of the County who have completed 1,000 hours or more per year of service and elect to receive coverage. The plan provides retirement benefits, as well as death and disability benefits, to plan members and their beneficiaries. The Lenawee County Board of Commissioners Retirement Income Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the plan sponsor at the Lenawee County Board of Commissioners, 301 N. Main Street, Adrian, Michigan, 49221.

#### **Funding Policy**

The obligation to contribute to and maintain the system for covered employees was established in the Lenawee County Board of Commissioners Retirement Income Plan and requires a contribution from the employees of Group 01 of 5.00%, from Groups 04 and 05 of 4.5%, and all other Groups of 2.50%. The funding policy provides for periodic employer contributions at an actuarially determined rate equal to the normal cost, plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 17 years. The Facility's contributions to the plan for the plan years ended December 31, 2003, 2002 and 2001 were \$256,006, \$220,115 and \$199,821, respectively, equal to the required contributions for each year.



# Lenawee County Medical Care Facility

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## Notes to Financial Statements December 31, 2003 and 2002

### Note 8 - Related Party

As discussed in Note 1, the Facility is related to the County of Lenawee.

**Borrowings from County** - See Note 5 for details.

**Transfer from other County Funds** - During the year ended December 31, 2003, the County transferred \$450,000 to the Facility for operations.

**Maintenance of Effort (M.O.E.)** - M.O.E. is a county obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid patient day approved by the State during that month. Expenses relating to M.O.E. are not included in the financial statements as they were paid directly by the County.

### Note 9 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for property loss, torts, errors and omissions and medical benefit claims, and participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 10 - Hill-Burton Obligation

The Facility received a federal grant under the Hill-Burton program to assist in the construction of the existing building. All facilities that received these grants are required to provide charity care to individuals qualifying under income limits set by the Hill-Burton program. Although the Medical Care Facility has made available this charity care, it has not received any applications for the charity care. Currently, the Facility still has an obligation to provide charity care under the Hill-Burton program.

## **Additional Information**

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To the Lenawee County Family Independence Agency Board  
Lenawee County Medical Care Facility

We have audited the financial statements of Lenawee County Medical Care Facility for the years ended December 31, 2003 and 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of net patient revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 12, 2004

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# Lenawee County Medical Care Facility

## Schedule of Net Patient Revenue

	Year Ended December 31	
	2003	2002
<b>Daily Room Revenue</b>		
Medicaid	\$ 5,695,740	\$ 5,155,007
Medicare	447,874	561,847
Other	<u>999,447</u>	<u>1,039,181</u>
Total daily room revenue	7,143,061	6,756,035
<b>Ancillary Revenue</b>		
Pharmacy	191,297	190,319
Physical therapy	914,350	854,715
Speech therapy	31,505	28,549
Oxygen	25,300	11,721
Laboratory/Radiology	37,941	47,457
Occupational therapy	<u>959,845</u>	<u>777,488</u>
Total ancillary revenue	<u>2,160,238</u>	<u>1,910,249</u>
Total patient revenue	9,303,299	8,666,284
<b>Revenue Deductions</b>	<u>(1,300,498)</u>	<u>(1,231,882)</u>
<b>Net Patient Revenue</b>	<u><b>\$ 8,002,801</b></u>	<u><b>\$ 7,434,402</b></u>

# Lenawee County Medical Care Facility

## Schedule of Operating Expenses

	Year Ended December 31			
	2003			2002
	Salaries	Other	Total	Total
Administration	\$ 474,483	\$ 299,166	\$ 773,649	\$ 848,208
Maintenance	90,225	293,444	383,669	294,267
Laundry	148,946	21,483	170,429	179,207
Housekeeping	218,497	40,127	258,624	210,907
Dietary	470,074	385,950	856,024	853,342
Pharmacy	-	218,658	218,658	171,385
Nursing	2,778,001	865,068	3,643,069	3,499,185
Diversional therapy	209,773	6,161	215,934	212,331
Barber and beautician	-	747	747	26,048
Respiratory therapy	-	36,917	36,917	19,534
Physicians' services	-	17,600	17,600	20,900
Inservice education	6,183	-	6,183	21,812
Lab/Radiology	-	19,033	19,033	23,618
Fringe benefits	-	1,124,431	1,124,431	972,566
Depreciation	-	348,321	348,321	142,140
Total - 2003	<u>\$ 4,396,182</u>	<u>\$ 3,677,106</u>	<u>\$ 8,073,288</u>	
Total - 2002	<u>\$ 4,356,562</u>	<u>\$ 3,138,888</u>		<u>\$ 7,495,450</u>